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**FISCAL IMPACT STATEMENT**

**LS 6667**

**BILL NUMBER:** HB 1099

**NOTE PREPARED:** Dec 27, 2007

**BILL AMENDED:**

**SUBJECT:** Shortfall Loans from the Common School Fund.

**FIRST AUTHOR:** Rep. Koch

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill provides that school corporations that experience property tax revenue shortfalls of at least 5% due to: (1) reassessments ordered by the Department of Local Government Finance for the March 1, 2006, or January 15, 2007, assessment date; or (2) the inability of the county treasurer of the county in which a school corporation is located to issue property tax statements in a timely manner; may apply to the State Board of Education for a shortfall loan from the Common School Fund. It extends the expiration date of shortfall loan provisions from December 31, 2010, to December 31, 2011.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The bill would extend the time a school could apply for a loan from the Common School Fund for a shortfall loan from December 31, 2010, to December 31, 2011. The bill would also add a shortfall in property tax collections as a result of either:

1. A reassessment ordered by the Department of Local Government Finance for the March 1, 2006, or January 15, 2007, assessment dates; or
2. Failure of the county treasurer of the county to issue property taxes in a timely manner, if the payments were not made or were delayed by more than 51 days after the date due.

The number of schools that might qualify for the loan is unknown and would vary from year to year.

The Common School Fund had an unobligated reserve of about \$15.4 M in FY 2007.

**Background:** Current law allows a school that experiences at least a 5% shortfall in general fund property

tax collection to borrow the shortfall amount until December 31, 2010, from the state Common School Fund if the shortfall was the result of:

1. An erroneous assessed valuation provided to the school.
2. Erroneous figures used to determine the school general fund tax rate.
3. A change in the assessed valuation as a result of appeals.
4. The payment of refunds that resulted from appeals.

The length of the loans are for 36 months. A loan would be repaid from the debt service fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures*. A school corporation would not be able to levy property tax to repay the loan if the loan was due to either:

1. A reassessment ordered by the Department of Local Government Finance for the March 1, 2006, or January 15, 2007, assessment dates; or
2. Failure of the county treasurer of the county to issue property taxes in a timely manner, if the payments were not made or were delayed by more than 51 days after the date due.

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Education.

**Local Agencies Affected:** School Corporations.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825.